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A noted economist remarked the other day that the only way in which one could be sure of making a profitable investment would be to go in debt as deeply as possible and buy commodities. The great inflation which is certain to attend our programme for financing the war, he said, will cause prices to rise to even more fantastic levels than those which obtain at present, whereas securities, the return on which is fixed or limited, must be re-adjusted to a basis of much higher income owing to the decreased purchasing power of money. There is no doubt that the great deflation in securities prices witnessed in the last year has been produced to a considerable extent by that factor. But though it is the most widely accepted explanation, the increased cost of capital is hardly sufficient in itself to account for the recent severe declines in the prices of foreign government securities listed here. Another sharp break in these issues was an outstanding feature of yesterday's dull market. The Anglo-French 5s went below 82, at which price they yield over 11 per cent; the American Foreign Securities 5s dropped to 91½, yielding approximately 9½ per cent; the Lyons-Bordeaux-Marseilles 6s sold at 75¼, yielding more than 21 per cent. The City of Paris 6s, at 73¼, return better than 15 per cent on the investment, while the United Kingdom 5s, maturing next September, yield nearly 10 per cent. Other British loans are selling on a similar basis.

Obviously, this condition has not been brought about merely by the increased cost of capital; neither is the theory that the decline is due to liquidation by holders who wish to record a loss for the purpose of escaping taxation a plausible one. The chief cause of the recent break is probably that developments in the war situation of late have seemed, on the surface, to be unfavorable to the Allied cause. If this is the real explanation for the break in these securities, then the discounting process has been overdone. Even though the war news is more or less unfavorable, no one doubts for a moment that, while the war may be prolonged, the Allies will be victorious in the end. And holders of these securities need look only to the ultimate result.

The mania for price fixing seems to be spreading, the latest phase taking the form of a bill to prohibit the sale of Liberty bonds for less than par and accrued interest, in order "to prevent depreciation and speculation" in war bonds. The bill is no doubt the outcome of the recent statement of the Secretary of the Treasury, that "German selling" had put the Liberty bonds below par. It was introduced on the same day the Secretary said that "any man who sells a Liberty bond below par stalks at the very life blood of the nation." The bill and the statement are equally intelligent. Among the millions who subscribed to the Liberty bonds, in good faith and there are naturally a certain number who, for one reason or another, are compelled to dispose of a portion of their allotment. They should not be accused of lack of patriotism. Of course, any sale made for the purpose of depressing the price of the bonds would be worse than unpatriotic, it would be treasonable. No evidence has been produced to show that there has been such selling, however. The bill to stabilize the bonds at par is absurd, and there is little or no chance that it will receive serious consideration in Congress. No one has ever succeeded in fixing the price of a security by fiat, and no one ever will. As a banker remarked yesterday, "one might as well try to force the Gulf Stream to flow up the Mississippi River as to attempt to keep the war loan issues from seeking their own price level." Enactment of the bill would automatically prevent the open sale of the bonds, but it would not prevent secret selling.

Money and Credit

Somewhat easier conditions prevailed in the money market yesterday, and although the ruling rate for call loans on the Stock Exchange was 6 per cent, a few loans were made during the day at 4½ and 5 per cent. The banks increased their offerings of funds moderately, being in a much stronger position now that the large government operations have been completed for the present.

Offerings of fixed funds continued light, with only a small amount of business doing at 5½ to 6 per cent for the longer maturities. Most institutions were still declining to renew maturing loans, insisting that the loans

be paid off or converted into call commitments.

Ruling rates for money yesterday, compared with a year ago, were as follows:

	Yesterday	Year ago
Call money.....	6 ½%	4 ½%
Time money (mixed collateral):		
60 days.....	5 ½%	4 ½%
90 days.....	5 ½%	4 ½%
4 months.....	5 ½%	4 ½%
6 to 12 mos.....	5 ½%	4 ½%

Commercial Paper. Trading in commercial paper was on a small scale yesterday, with rates holding firm at 5½ to 5¾ per cent for the best regular maturities.

Official rates of discount for each of the twelve Federal districts are as follows:

	Days	Over 15 or less	Over 15 to 30	Over 30 to 60	Over 60 to 90
Boston.....	4	4 ½%	4 ½%	4 ½%	4 ½%
New York.....	3	4 ½%	4 ½%	4 ½%	4 ½%
Philadelphia.....	4	4 ½%	4 ½%	4 ½%	4 ½%
Cleveland.....	4	4 ½%	4 ½%	4 ½%	4 ½%
Richmond.....	4	4 ½%	4 ½%	4 ½%	4 ½%
Atlanta.....	4	4 ½%	4 ½%	4 ½%	4 ½%
Chicago.....	4	4 ½%	4 ½%	4 ½%	4 ½%
St. Louis.....	4	4 ½%	4 ½%	4 ½%	4 ½%
Minneapolis.....	4	4 ½%	4 ½%	4 ½%	4 ½%
Kansas City.....	4	4 ½%	4 ½%	4 ½%	4 ½%
Dallas.....	4	4 ½%	4 ½%	4 ½%	4 ½%
San Francisco.....	4	4 ½%	4 ½%	4 ½%	4 ½%

Bank Clearings.—The day's clearings at New York and other cities:

	Exchanges	Balances
New York.....	\$996,151,023	\$73,321,878
Baltimore.....	8,136,269	1,101,719
Boston.....	51,750,222	6,352,248
Chicago.....	94,795,479	6,124,201
Philadelphia.....	70,884,421	14,138,211

Silver.—Bars in London, 43d, unchanged; New York, 55½c, unchanged; Mexican dollars, 67c, unchanged.

Sub-Treasury.—New York banks lost to the Sub-Treasury \$569,000.

London Money Market. LONDON, Dec. 18.—Money, 3½ per cent. Discount rates.—Short bills, 4½ per cent; three months' bills, 4½ per cent. Gold premiums at Lisbon, 110.

The Dollar in Foreign Exchange

Foreign exchange rates fluctuated within a narrow range yesterday. The principal development of interest was a slight advance in Russian rubles, which sold at 12½ cents. Italian lire continued to display firmness.

Closing rates yesterday, compared with a week ago, are given in the table below. American bankers have suspended all dealings in German and Austrian exchange, so that daily quotations for either marks or kronen are no longer available.

	Yesterday	Week ago
Sterling, demand.....	\$4.75 3/4	\$4.75 1/2
Sterling, sixty days.....	4.74 1/2	4.74 1/2
Sterling, cables.....	4.76 1/2	4.76 1/2
Sterling, ninety days.....	4.69 1/2	4.69 1/2

(Quoted dollars to the pound.)

	Yesterday	Week ago
France, demand.....	5.74	5.73 1/2
France, cables.....	5.71 1/2	5.72 1/2
Live, cables.....	8.28	8.38
Live, cables.....	8.27 1/2	8.26
Swiss, cables.....	4.30	4.26
Swiss, cables.....	4.28	4.34

(Quoted cents to the unit.)

	Yesterday	Week ago
Guillem, cables.....	43 1/2	43 1/2
Guillem, cables.....	44	44
Rubles, cables.....	12.85	12.75
Stockholm, kr., checks.....	35.60	35.00
Copenhagen, kr., checks.....	32.50	32.00
Oslo, checks.....	24.10	24.03

Below is given the current exchange value of foreign money in dollars and cents, together with the intrinsic gold value, as calculated by the United States Mint:

	Current	Intrinsic
Pounds, sterling.....	\$4.75 3/4	\$4.85 1/2
Francs.....	0.17 1/2	0.19 1/2
Guillem.....	0.43 1/2	0.45 1/2
Rubles.....	0.12 1/2	0.13 1/2
Live, cables.....	0.12 1/2	0.13 1/2
Crowns (Denmark).....	0.32 1/2	0.26 1/2
Crowns (Sweden).....	0.35 1/2	0.26 1/2

The above rates express the cost of foreign money in terms of the American dollar. You buy an English pound sterling at, say, \$4.75. The intrinsic value of a pound is \$4.85. This means that if you buy a pound at a discount or at a premium, which is owing to the fact that in England the demand for dollars with which to settle is greater than the demand in this country for pounds with which to settle accounts in England.

Wilkes-Barre Short of Coal

Supply Scant Even in Centre of Producing District

[Special Correspondence]

WILKES-BARRE, Penn., Dec. 18.—Sending coal to Newcastle will be regarded as the height of folly, but such shipments would be welcomed by the residents of this city, which, strange as it may seem, is, despite its situation in the centre of the Pennsylvania anthracite producing region, really suffering from a coal shortage. Even a mine manager, so the story goes, was the other day told that he could not get more than two tons at a time for his household requirements. Coal is retained here directly from the mines and distributed by the railroad from the breakers.

All the drivers sent out from the breakers are instructed not to deliver the allotted tons to cellars which have a sufficient supply. One driver stopped at three different houses before he got rid of a two-ton load. The men are afraid to disobey instructions, as they know that they are watched and will not be permitted to obtain more coal if they supply cellars which are already well filled. In commenting on this situation the manager of a prominent mining company, said that the largest coal surplus in the United States today was the "cellar surplus." He explained this by saying that the average householder had provided himself so far ahead of requirements that the cellars contained only 8,000,000 tons more than they did at this time last year.

Speculators Are Active Buyers of Russian Currency

Local Market Well Supplied With Ruble Notes Sold by Japanese

Bankers doing business in foreign money reported yesterday that for the first time since the beginning of peace negotiations between Russia and the Central Powers of a heavy demand for Russian government money in this market from American importing houses and speculators. Large transactions are said to be taking place daily in the 500 ruble notes issued prior to the revolution. The prevailing quotation for Russian rubles in the form of national currency is about 11½ cents.

A banker who has handled a great deal of the business in Russian currency estimates that upward of 15,000,000 rubles in Russian currency is now held in New York City alone. At the present value of rubles this would represent about \$1,725,000 if converted into American money. Practically all of the Russian notes that have come to the United States have been shipped here from Japan. Since the beginning of the war Japan has sold large amounts of rubles and received in payment much Russian money. Part of this has been sold in the United States and part in the Scandinavian countries at a heavy discount from its face value.

In explanation of the sudden growth of demand for Russian currency here it was pointed out yesterday that for some time dealers have been making remittances to Russia at the present time the exchange market is very uncertain. Purchasers of ruble exchange have no way of knowing whether payment will be made in Russia, owing to the fact that most of the banks are closed there by order of the Bolsheviks. This is causing many importers here to buy rubles in the United States, which will be paid later on. In the same way, speculators have been accumulating Russian rubles in the hope that with the advent of a stable government and rehabilitation of Russian finances there may be substantial appreciation in the value of this money. According to latest advices from Petrograd, which, however, are not official, the ruble is being used, it was stated that about 8½ cents in gold was held in reserve against every ruble of Russian money in circulation.

Relevant Comment

Distillers' Stock Buoyant

A sharp rise in Distillers' Securities on heavy trading was the stock market's response to the passage by both houses of Congress of the prohibition resolution which now puts the matter of a constitutional amendment before the states for a referendum. Distillers' opened at 29½ and sold up to 34, closing 34½ points up for the day on total transactions of 12,700 shares. It was obvious from the action of the stock that the Street accepted the prospects of national prohibition with something more than equanimity. The Federal Reserve Board at Washington has taken cognizance of the fact that at least three years would elapse before the states finally acted upon the amendment, and in the meantime the company's securities would be steadily appreciated in value, thus adding to the asset value of the stock up to the time it became necessary to liquidate and go out of business. The price of the stock at its present price compares with a high of 44½ in October, which is also the high price of the year. Its low price this year was 11½.

A Moot Problem in Exchange

Bankers who are following the South American exchange situation expressed much interest yesterday in the news that Peru and other republics to the south are considering the establishment of gold reserves here, against which currency will be issued in those countries. It is asserted that in all cases the banks will be necessary to amend the banking laws in order to permit the emission of currency against gold deposited in a foreign country, as would be the case in the event that the plan under contemplation is adopted. The Federal Reserve Board at Washington has been devoting a great deal of study to the exchange situation between the United States and the South American countries, which has been aggravated by the embargo placed on gold shipments from this country. Under the plan now being considered the gold will stay in this country, but it will actually do the work that it would do were it shipped to South America.

Gold for Sisal Grass

The Royal Bank of Canada withdrew \$250,000 in gold coin from the Sub-Treasury yesterday for shipment to Mexico. Permission to make the shipment was obtained from the Federal Reserve Board, which has charge of all such transactions. It is understood that the shipment is being made into pay for sisal grass being shipped to the United States. This commodity is essential in the manufacture of binding twine. Most of the sisal grass comes from Yucatan, where a large and prosperous industry has grown up.

Liberty Bond Conventions

Announcement was made yesterday that total applications received by the bond exchange division of the Federal Reserve Bank of New York for Liberty Loan first 4s—that is, the 3½s that have been converted to date have reached an aggregate par value of \$10,842,950. Total applications for Liberty bonds so far amount to \$21,227, with a par value of \$25,000,000. The individual pieces numbering 660,185. Applications for registered bonds amount to \$10,842,950 par value. The pieces ordered so far amount to \$18,385 par value. There are 7,545 applications for coupon bonds, with an aggregate par value of \$55,816,450. Individual pieces were required in filling these applications. It was stated that the Reserve Bank that the practice there is to make delivery of the conversion bonds in the order in which the applications are received.

5,000-Shares "Put" on Steel

One of the largest transactions that have been made in the New Street privilege market in weeks was put through yesterday, when a Stock Exchange firm bought a "put" on 5,000 shares of United States Steel common stock at 78. The privilege is good for thirty days, and at the moment it was sold for \$18.88. The transaction was the result of a broker's commission on the "put" alone amounted to \$625. In these times normally the turnover in a single day in the New Street market rarely exceeds 5,000 shares for all "puts" and "calls" placed.

Senate Passes Bill to Purchase Farm Loan Bonds

House Delays Vote on \$100,000,000 Measure Until After Recess

WASHINGTON, Dec. 18.—The Administration bill authorizing the Secretary of the Treasury to purchase \$100,000,000 of farm loan bonds during the next fiscal year was adopted by the Senate yesterday without a record vote after it had been amended so as to eliminate authority for a similar purchase next year.

House Delays Vote

Immediately after the vote the bill was sent over to the House with a view to action there before the holiday adjournment. After some discussion, however, the House postponed consideration until January 3. Chairman Glass of the Banking Committee announced that the Senate had adjourned and that inasmuch as it would be impossible to enact the bill into law until after the holiday recess, it would be futile to attempt action to-night, in view of what he called the lack of comprehension on the part of those opposing it.

Representatives Lenroot, of Wisconsin, and Snell, of New York, and others opposed immediate consideration on the ground that the measure was too important to pass without proper discussion. Mr. Snell contended that the land banks were tending toward insolvency and that it was a bad precedent for the United States to take bonds from a corporation that could not sell them.

The Senate amendment to limit the purchase of farm loan bonds by the Secretary of the Treasury to the present fiscal year was introduced by Senator Weeks, who declared that the Farm Loan Board should stand warned that Congress will not continue to provide money in emergencies like the present. Another amendment introduced by the Massachusetts Senator and adopted provides that until all bonds bought by the Secretary have been redeemed no loans from Treasury funds in addition to those already approved shall be made by the farm loan banks, except for the purpose of increasing food products.

Advances on War Orders

Information received in banking circles here yesterday was that the government has begun paying out large sums to industrial concerns in the form of advances on war contracts. Checks aggregating approximately \$10,000,000 according to reports, were sent to all parts of the country over the week end. Recently the Bethlehem Steel Corporation obtained an advance of \$2,000,000 after officials had inspected the company's books during the week. The advance was made on the basis of government aid if war work was to be speeded up.

Help in Time of Need

Declaration of a 2 per cent dividend on the common stock of the New York, Ontario & Western Railway Company yesterday means \$582,200 additional revenue for the New York, New Haven & Hartford, of which the company owns \$25,160,000 of the \$58,113,983 of the Ontario & Western's outstanding common stock. It acquired a majority interest in October, 1914, at a cost of \$45. The last previous dividend declared by the Ontario & Western was 1 per cent, on July 24 a year ago. In 1909, 1910 and 1911 dividends were paid at the rate of 2 per cent a year. None was paid in 1912, and in 1913 stockholders received 2 per cent.

Christmas Bonuses

Directors of the Central Trust Company yesterday voted for employees the usual Christmas bonus of 50 per cent of their yearly salaries. In addition, the extra compensation of 15 per cent, voted several months ago, as an offset to the increased cost of living was raised to 20 per cent. While not following a policy in the past of giving Christmas bonuses to its employees, directors of the National City Bank have taken cognizance of the higher living cost by making various periodical distributions during the last year, which in the aggregate have amounted to 25 per cent of salaries. The directors of the bank are sending to the 230 employees who have gone into the various branches of the government military service a box containing an assortment of food, clothing, shoes and cigarettes as a Christmas and New Year's gift.

Three Banks Vote Extra Dividends

Not to Blame Tin Sellers.—A resolution has been adopted by the tin committee of the New York Metal Exchange that because of the embargo, government regulations and the possibility of seizure of the stock, or other the seller shall not be responsible or liable if his inability to make delivery can be traced to any of the causes brought about by the war. The resolution will be presented to the board of managers on December 27.

Central Trust Company to Pay Additional 16 Per Cent to Stockholders

Holders of bank stocks came in for a generous distribution of extra dividends yesterday. The Central Trust Company declared a payment of 16 per cent in addition to the regular quarterly dividend of 6 per cent; the Bank of New York, an extra of \$2 a share, along with the usual semi-annual payment of \$8, and the National Park Bank, 10 per cent in addition to the regular semi-annual dividend of 5 per cent.

Significant Relations

	Now	1917	1916
Money and Prices:			
Stock of money gold in the country.....	\$3,040,472,040	\$2,741,609,491	\$2,741,609,491
Loans of all national banks.....	\$95,528,000	\$78,859,000	\$78,859,000
Their surplus reserve.....	82,130,000	91,000,000	91,000,000
Bills discounted and bought by Federal Reserve banks.....	\$907,859,000	\$160,666,000	\$160,666,000
Federal Reserve notes in circulation.....	1,153,385,000	266,376,000	266,376,000
Total gold reserve.....	1,650,238,000	\$90,119,000	\$90,119,000
Average price of 15 railroad stocks.....	\$38.59	\$42.10	\$42.10
Average price of 12 industrial stocks.....	74.23	74.02	100.85
Food cost of living (Annalist index number).....	280.576	220.295	206.790
General commodity price level (Dun's index number).....	220.172	220.750	168.090
Production:			
Unfilled U. S. Steel orders, tons.....	8,897,106	9,009,675	11,058,420
Pig iron (daily average), tons.....	106,859	106,550	110,391
Active cotton spindles.....	33,604,650	33,576,922	32,758,045
Wheat crop, bushels.....	1,617,123	1,500,102	1,077,778
Corn crop, bushels.....	2,502,826,066	2,502,826,066	2,502,826,066
Oats, bushels.....	3,159,494,000	2,556,927,000	2,556,927,000
Cotton crop, bales.....	1,537,286,000	1,251,837,000	1,251,837,000
Distribution:			
Net unfilled freight car requisitions.....	117,132	150,012	107,778
Gross railroad earnings.....	\$3.99	\$4.21	\$4.00
Bank clearings.....	10.4%	0.2%	17.3%
General:			
Commercial failures (Dun's):	931	1,082	1,251
Liabilities.....	\$13,635,505	\$12,812,012	\$14,104,621
Building permits (Bradstreet's):			
Number.....	15,672	16,943	21,410
Amount.....	\$42,121,364	\$38,417,838	\$74,162,691

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